REMARKS

Claims 12-17 stand rejected under 35 U.S.C. §103(a) in view of U.S. Patent No. 6,018,714 to Risen et al. ("Risen"), U.S. Patent No. 5,126,936 to Champion et al. ("Champion"), Kieso et al. "*Intermediate Accounting,*" John Wiley & Sons, Inc., eighth ed. 1995, pages 571-619 ("Kieso"). Insofar as they may be applied against the Claims, these rejections are respectively traversed.

Specifically, the Examiner asserts that Risen discloses elements (b), (f), (i), (j), and (k) of Claim 12, that Kieso discloses elements (c) and (k) of Claim 12, and that Champion discloses elements (g) and (h) of Claim 12. The Examiner then further asserts that elements (d), (e), (l), (m), (n), (o), and (p) of Claim 12 are either obvious because "it makes business sense," it "is well known in banking, brokerage and mutual fund institutions," or some combination thereof. In particular, the Examiner creates examples to attempt to illustrate the asserted obviousness of elements (d), (e), (l), (m), (n), (o), and (p) of Claim 12.

Risen discloses a purchase transaction between two parties with the addition of the purchasing party acquiring insurance. Champion discloses investors investing their money in products owned by various third parties, such as mutual funds, and Kieso discloses general accounting principles for valuation. In the present invention, the investment entity typically takes title to the patent from the original owner in exchange for payment to the original owner of funds obtained from investor accounts, and then licenses the patented technology for an agreed-upon monetary return, that is in turn allocated to the investors. No place in Champion, Risen, or Kieso is any mention made or implied of purchasing the intellectual properties with money from

investors and licensing the intellectual properties to obtain an income stream that is paid back to the investors.

Risen provides insurance against a change in *predicted* value of the intellectual property. The present invention, in contrast, serves to accurately predict a value of intellectual property. Risen talks about valuing an intellectual property, but states that assigning a monetary value to a patent can be difficult, and indicates that a preferred method of determining a value is to retain a firm that specializes in valuation of intellectual property (col 11, lns. 11-13). An alternative method proposed by Risen is to use an arbitrary valuation (col. 11, lns. 24-27). Risen discloses and claims obtaining the valuation of the intellectual property from an outside expert. Risen does not disclose or suggest a method for using an algorithm to determine the value of an intellectual property. It is because of the difficulty of determining an accurate value for an intellectual property that Risen provides insurance against a change in predicted value of the intellectual property. Risen is for use in situations where a company is acquiring another company, or investing money in another company, and the acquiring company wants insurance to protect against valuation errors made when the value of what is being acquired was performed.

Risen discloses a transaction between two parties, the seller and the purchaser, with the purchaser acquiring insurance against an unforeseen change in value of the patents they purchased. Risen does not specify or suggest purchasing an intellectual property as an investment, and granting a license to use the intellectual property to the third party in col 8, line 64; instead this portion of the Risen patent specifies that a party might utilize the invention of Risen if they were considering purchasing an intellectual property and were concerned because an accurate purchase price could not be determined. The invention of Risen would not occur

until after a predicted value for the intellectual property had been made. If an accurate method for determining the value of an intellectual property existed, there would not be as great a need for insurance against change in the predicted value. Therefore, Risen actually teaches away from the invention of the present application by compensating for the lack of an accurate method of assessment by providing insurance to protect against inaccuracies in predicting the value of a patent.

In Champion, the investors invest their money in products owned by various third parties, such as mutual funds. No place in Champion is any mention made or implied of patents or intellectual properties forming the basis for financial investments, or using a variety of algorithms to determine the appropriate purchase price for the intellectual properties. This is because, traditionally, such items were considered too difficult to appraise and assign a value to, and therefore there was too much uncertainty associated with intellectual property assets to incorporate them into investment vehicles. Champion only addresses a system used by an account management service to manage investor funds.

In Kieso, general accounting guidelines are established for valuation. There is no suggested, explicit, or implied, use of an electronic data processing system for evaluating intellectual property value, purchasing the intellectual properties with money from investors, and licensing the intellectual properties to obtain an income stream that is paid back to the investors. As with Champion, there is no place in Kieso where any suggestion, explicit or implied, of patents or intellectual properties forming the basis for financial investments, or using a variety of algorithms to determine the appropriate purchase price for the intellectual properties. The only suggestion of doing so is an assertion of "mak[ing] business sense" by the Examiner. The

present invention addresses a system used by an investment entity to determine the value of a patent, acquire title to the patent in exchange for a monetary amount related to the determined value of the patent, license the patent, and allocate licensing royalties amongst investors in a ratio proportionate to the monetary amount obtained from that investor. Kieso neither discloses nor suggests the present invention, alone or in conjunction with Risen or Champion.

Additionally, "[t]he mere fact that references can be combined or modified does not render the resultant combination obvious unless the prior art also suggests the desirability of the combination." M.P.E.P. §2143.01; see also *In re Mills*, 916 F.2d 680, 16 USPQ2d 1430 (Fed. Cir. 1990). Applicant respectfully asserts that, even though some of the steps of Claim 12 may be related to known principles and guidelines, producing a complete solution as shown in Claim 12 is in itself new, useful, and nonobvious.

It is well known that valuation was considered difficult at the time the present invention of Claim 12 was made. As evidence of the fact that valuation of intellectual property ("IP") was considered difficult at the time the present invention of Claim 12 was made, Applicant would call the Examiner's attention to the document "Valuation of Intellectual Property Assets" by Zareer Pavri of PriceWaterhouseCoopers, which was cited by the Examiner in Application No. 09/481,126 (parent application to the present application). It states that the "whole area of IP valuation is relatively new and continually evolving. Consequently, there is no general agreement...as to an accepted valuation methodology." (see p. 8, lns 13-14). Hence, only general guidelines existed relating to valuation of IP without any clear solution or methodology. Therefore, the mere existence of general guidelines does not yield the present invention of Claim 12 but, instead, suggests an area of exploration.

As a result of the difficulty of valuation of IP, and more particularly patents, it is apparent that the Examiner is forwarding an argument that, assertedly in light of the prior art, it would have been "obvious to try" to develop software to perform this valuation. According to M.P.E.P. §2145(X)(B), "what was 'obvious to try' was to explore a new technology or general approach that seemed to be a promising field of experimentation, where the prior art gave only general guidance as to the particular form of the claimed invention or how to achieve it." *In re O'Farrell*, 853 F.2d 894, 903, 7 USPQ2d 1673, 1681 (Fed. Cir. 1988). At the time of the present invention, there was no solution to the problem identified by the Applicant; only "general guidance as to the particular form of the claimed invention" existed. Therefore, Applicant respectfully asserts that the Examiner's assertion of obviousness is impermissible as an "obvious to try" rationale.

Additionally, as a result of the difficulty of valuation of IP, and more particularly patents, it is apparent that the Examiner has also based the rejection on impermissible hindsight. According to M.P.E.P. §2145(X)(A), reconstruction based on hindsight is permissible "so long as it takes into account only knowledge which was within the level of ordinary skill in the art at the time the claimed invention was made and does not include knowledge gleaned only from applicant's disclosure." *In re McLaughlin* 443 F.2d 1392, 1395, 170 USPQ 209, 212 (CCPA 1971). Because of the known difficulties in valuation of IP at the time of the invention and because only general guidelines existed at the time of the invention, there was a requirement at the time of the invention to creatively reduce what previously could only be construed as theoretical notions to practice. This requirement for creative reduction to practice is evidenced by the Examiner's creation of examples demonstrating general guidelines for which no actual

prior art was cited. Therefore, Applicant respectfully asserts that the Examiner's assertion of obviousness is also based on impermissible hindsight.

Moreover, since the Examiner only made mere assertions, without citing to any references, that elements (d), (e), (l), (m), (n), (o), and (p) of Claim 12 are "obvious [because] patents are sold and licensed by the companies when it makes business sense to trade them," "well known in banking, brokerage and mutual fund institutions," or some combination thereof, Applicant presumes that the Examiner is taking Official Notice. According to M.P.E.P §2144.03(A), "[i]t would not be appropriate for the examiner to take official notice of facts without citing a prior art reference where the facts asserted to be well known are not capable of instant and unquestionable demonstration as being well-known." *In re Ahlert*, 424 F.2d at 1091, 165 USPQ at 420-21. See also *In re Grose*, 592 F.2d 1161, 1167-68, 201 USPQ 57, 63 (CCPA 1979). It is the Applicant's position that elements (d), (e), (l), (m), (n), (o), and (p) of Claim 12 are not well known in the context of an automated system. Therefore, Applicant respectfully requests that the Examiner produce reference(s) to support his assertion or withdraw the rejection.

Applicant has now made an earnest attempt to place this application in condition for allowance, and requests the Examiner reconsider the previous rejection of this application, and for the reasons set forth herein, full allowance of Claims 12-17 so that the application may be passed to issue.

Enclosed is a Request for Continued Examination, a Petition for a One Month Extension of Time, and a check in the amount of $455.00 to pay for the same. Applicant does not believe any additional fees are due in connection with this Response; however, the Commissioner is

hereby authorized to charge any fee or credit any overpayment with regard to the filing of the subject Office Action Response to Deposit Account #50-2180 in the name of Storm, LLP.

Should the Examiner require any further clarification to place this application in condition for allowance, the Examiner is invited to telephone the undersigned at the number listed below.

Respectfully submitted,

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